



CALL TO ACTION HEALTH REFORM 2009

SENATE FINANCE COMMITTEE CHAIRMAN MAX BAUCUS (D-MONT.)



CALL TO ACTION HEALTH REFORM 2009

November 12, 2008

*U.S. Senator Max Baucus (D-Mont.)
Chairman, Senate Finance Committee*



REFORMING AMERICA'S HEALTH CARE SYSTEM: A CALL TO ACTION

It is the duty of the next Congress to reform America's health care system. In 2009, Congress must take up and act on meaningful health reform legislation that achieves coverage for every American while also addressing the underlying problems in our health system. The urgency of this task has become undeniable.

In preparing to act, I led the U.S. Senate Finance Committee in holding nine hearings on health care reform this year and hosted a day-long health summit in June 2008 to explore in greater depth the problems plaguing our health system. I have spent a good deal of time talking to colleagues on both sides of the aisle and to stakeholders in the health care industry to get their perspectives on the issues that matter. And perhaps most importantly, in listening sessions across the state of Montana, I have heard from many Americans about the challenges so many patients and families face in getting access to affordable health coverage and paying medical bills.

This paper — this Call to Action — represents the next step. It is not intended to be a legislative proposal. Nor is it an exhaustive exploration of every health care issue that should or needs to be addressed, or that will be considered. Rather, it details my vision for health care reform. The plan outlined here addresses health care coverage, quality, and cost. Many components would require an initial investment but, over time, would vastly improve the quality of the health care that Americans receive and reduce the cost of that health care, ultimately putting our system on a more sustainable path. The policies in this paper are designed so that after ten years the U.S. would spend no more on health care than is currently projected, but we would spend those resources more efficiently and would provide better-quality coverage to all Americans.

The health system is so complex that any solution will demand time and attention to make sure that we get it right. This plan is most certainly a work in progress. But this Call to Action is intended to encourage constructive input by policymakers, stakeholders, and health policy thought leaders to move us forward. I look forward to discussing this plan with President-Elect Obama, with my colleagues in Congress, and with stakeholders in the health care system, working collaboratively with all to enact effective health reform.

Americans who care deeply about the future of our health system and our economy must take up the fight together for comprehensive health care reform. My door is open and I seek partners with “can do” spirits and open minds. I believe — very strongly — that every American has a right to high-quality health care through affordable, portable, meaningful health coverage. And I believe that Americans cannot wait any longer.

A handwritten signature in dark ink, reading "Max Baucus". The signature is fluid and cursive, with the first name "Max" and last name "Baucus" clearly distinguishable.

Max Baucus
Chairman
U.S. Senate Committee on Finance

EXECUTIVE SUMMARY

The link between health care costs and the economy is undeniable. Reforming the health care system is essential to restoring America's overall economy and the financial security of our working families.

The case for reform is strong. The U.S. is the only developed country that does not guarantee health coverage for all its citizens, with 46 million uninsured and another 25 million underinsured. As a result, families are struggling to keep up with out-of-pocket costs for medical care. American businesses are straining to absorb rising health care costs while staying competitive at home and around the world. Despite high levels of spending on health care, research documents poor quality of care received by patients in the U.S. Studies show, for example, that adults receive recommended care for many illnesses only 55 percent of the time. Children fare even worse.

Americans are acutely aware of problems in the country's health care system, and they are ready for change. They are not alone. The nation's health care stakeholders — consumers, businesses, labor, providers, plans, manufacturers, and state and local governments — are signaling that they are ready and willing to engage in serious and comprehensive reform of a health system in crisis. They recognize that the status quo of high costs, unacceptable numbers of the uninsured and underinsured Americans, and far less than optimal quality and value is unsustainable and intolerable. And, notably, the nation's economists concur that system reform is not only necessary to rationalize our health care system, but to sustain our economy, our ability to compete internationally and, over the long haul, to deal with our long-term fiscal challenges.

A high-performing health care system would guarantee all Americans affordable, quality coverage no matter their age, health status, or medical history. Today, the costs of care for the uninsured are largely borne by those with insurance; providers charge higher prices to patients with private coverage to make up for uncompensated care, and these costs are passed on to consumers in the form of increased premiums. Requiring all Americans to have health insurance will help end the shifting of costs from the uninsured to the insured.

Covering all Americans would also ensure that the insurance market functions effectively. Insurance works because policyholders pay into their plans when healthy, and have their medical bills paid when they are sick. If a significant portion of Americans does not purchase coverage until sick, then premiums for all enrollees will increase to cover insurer outlays, and the problem of unaffordable coverage will persist. Finally, covering all Americans is essential to effective prevention and wellness efforts and managing chronic illnesses. Efforts to guard against and better manage illness are an effective tool to improve health and contain costs but, without every American in the system, those efforts will fall short of their full potential.

In a high-performing health care system, employers, individuals, health providers and plans, as well as government would all bear responsibility and contribute to fulfilling the goal of covering all Americans. Wellness and prevention would be prioritized. And

increased quality would result in lower costs so that employers could afford to continue to offer health coverage and still compete in a global marketplace. Our public health programs would be on a more fiscally sustainable path. Ensuring that every American has coverage would make health care truly portable, so that Americans are no longer locked into a job based on a need to retain their health coverage. This Call to Action outlines a vision for creating that high-performing health care system.

Like a sturdy stool, the Call to Action has three equally important legs: (1) a policy that ensures meaningful coverage and care to all Americans; (2) an insistence that any such expansion be coupled with an emphasis on higher quality, greater value, and — over time — less costly care; and (3) an absolute commitment to weed out waste, eliminate overpayments, and design a sustainable financing system that works for taxpayers as well as for the nation's recipients and providers of health care.

Ensuring Health Coverage for All Americans. The Baucus plan would ensure that every individual can access affordable coverage by creating a nationwide insurance pool called the Health Insurance Exchange. Those who already have health coverage could keep what they have. But for those who need affordable, guaranteed coverage, the Exchange would be a marketplace where Americans could easily compare and purchase the plans of their choice. Private insurers offering coverage through the Exchange would be precluded from discrimination based on pre-existing conditions. Premium subsidies would be available to qualifying families and small businesses. By making health care more affordable and universally available to all Americans, the Baucus plan would take a major step toward eliminating racial and ethnic health disparities.

While the Exchange is being created, the Baucus plan would make health care coverage immediately available to Americans aged 55 to 64 through a Medicare buy-in, and it would begin to phase-out the current two-year waiting period for Medicare coverage for individuals with disabilities. The plan would provide every American living below the poverty level with access to Medicaid. This policy is consistent with the original intent of Medicaid, and it is the quickest and most cost-effective way to cover every American living in poverty. The Baucus plan would also ensure that all states use the State Children's Health Insurance Program (CHIP) to cover children at or below 250 percent of the Federal poverty level, putting help within reach for more needy children. Finally, recognizing that America cannot keep its promise to provide care to Native Americans and Alaska Natives with the current level of Indian Health Service (IHS) funding, the Baucus plan calls for additional funding for IHS.

Once affordable, high-quality, and meaningful health insurance options are available to all Americans through their employers or through the Exchange, individuals would have a responsibility to have health coverage. This step is necessary for insurance market reforms to function properly and to end the cost shifting that occurs within the system. It is expected that the vast majority of American employers would continue to provide coverage as a competitive benefit to attract employees. Except for small firms, employers that choose otherwise must contribute to a fund that would help cover those who remain uninsured.

The Baucus plan would immediately refocus our health care system toward prevention and wellness, rather than on illness and treatment. Those who are uninsured — and therefore less likely to receive preventive care and treatment for major conditions — would be given a “RightChoices” card that guarantees access to recommended preventive care, including services like a health risk assessment, physical exam, immunizations, and age and gender-appropriate cancer screenings recommended by the U.S. Preventive Services Task Force. Individuals without private coverage and not eligible or enrolled in a public health coverage program, but whose RightChoices screening detected and diagnosed one or more of the most common, costly chronic conditions, would qualify to receive treatment on a temporary basis until viable coverage options are available under the Health Insurance Exchange. Current Medicare, Medicaid, and CHIP beneficiaries would receive recommended preventive services with little or no co-payment. Preventive services would be covered by all insurance options offered through the Health Insurance Exchange.

Improving Health Care Quality and Value. Recognizing that any attempt to cover the uninsured and reduce health care spending must address the perverse incentives fostered by current payment systems, the Baucus plan includes delivery system reforms that would improve quality and, over time, lower costs. The plan strengthens the role of primary care and chronic care management. Primary care is the keystone of a high-performing health care system. Increasing the supply and availability of primary care practitioners by improving the value placed on their work is a necessary step toward meaningful reform.

The plan would refocus payment incentives toward quality and value. Today’s payment systems reward providers for delivering more care rather than better care. A redefined health system would realign payment incentives toward improving the quality of care delivered to patients. Fixing the unstable and unsustainable Medicare physician payment formula is a necessary step in this process. The plan would promote accountability and coordination among providers by encouraging providers in different settings — physician offices, inpatient hospitals, post-acute care settings, and others — to collaborate and provide patient-centered care in a way that would improve quality and save money.

To facilitate the proposed delivery system reforms, the Baucus plan would improve the health care infrastructure by investing in new comparative effectiveness research and health information technology (IT). Health IT is needed for quality reporting and improvement and to give providers ready access to better evidence and other clinical decision-support tools. Reinvesting in the training of a twenty-first century health care workforce is necessary for many delivery system reform goals to be realized.

Achieving Greater Efficiency and Sustainable Financing. The U.S. spends \$2.3 trillion per year on health care, and economists warn that rising health care costs represent a serious threat to our long-term fiscal security. According to the Congressional Budget Office, up to one-third of that spending — more than \$700 billion — does not improve Americans’ health outcomes. Excess spending must be eliminated and dollars put to better use, not only to correct the imbalances of the current health care system, but to offset the high costs of much-needed comprehensive reform.

Beyond measures to refocus the system on primary care, reward quality care, and invest in critical research and technology, the Baucus plan would endorse direct steps in five additional areas to curb excess health care spending. The plan would invest more to detect and eliminate fraud, waste, and abuse in public programs. The plan would address overpayments to private insurers in the Medicare Advantage program. The plan would increase transparency of cost and quality information and would require disclosure of payments and incentives to providers by drug or device makers that may lead to biased decision-making. The plan also considers careful reforms of medical malpractice laws that could lower administrative costs and health spending throughout the system, while ensuring that injured patients are compensated fairly for their losses.

Long-term care services and supports are both a significant share of national health expenditures and a driver of cost. Considering policies to shift the focus from institutional care to services provided in the home and community could improve the quality of care delivered and reduce costs. Finally, the plan would explore targeted reforms of the tax code to make incentives more efficient, distribute benefits more fairly, and promote smarter spending of health care dollars by consumers themselves.

Conclusion. I believe it is the duty of the next Congress to reform America's health care system. In 2009, Congress must take up and act on meaningful health reform legislation that achieves coverage for all Americans while also addressing the underlying problems in our health system. The urgency of this task has become undeniable.

In the short term, health care reform would cost taxpayers more than the government can achieve in savings from all reforms and financing changes. Congressional leaders and the public must be realistic about the timeframe in which the fiscal success of reform is measured. If we fail to act, however, we will double our current national expenditure on health care from \$2 trillion to \$4 trillion, continue to witness the plight of tens of millions of our citizens without health insurance cost shifting to those who do, continue to tolerate poor quality that leads to nearly 100,000 deaths a year, and watch our businesses become less competitive and our nation go further into debt. In short, we all must realize that the costs of inaction, both in human and financial terms, will eventually be far greater than any initial outlays. We must choose to invest now in a health care system that will richly repay the nation with greater health and economic stability in the long term.

